

NOVEMBER 25, 1981

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Forbes

JAPAN'S COMPUTER CHALLENGE

**HERE'S ONE
THE U.S.
CAN WIN**

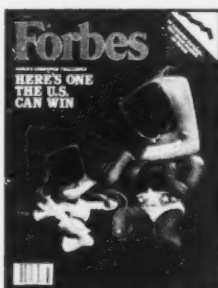
'82 Corporate Earnings—
Wall Street Predicts
an Upturn

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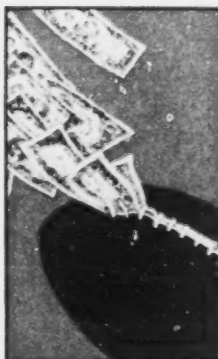
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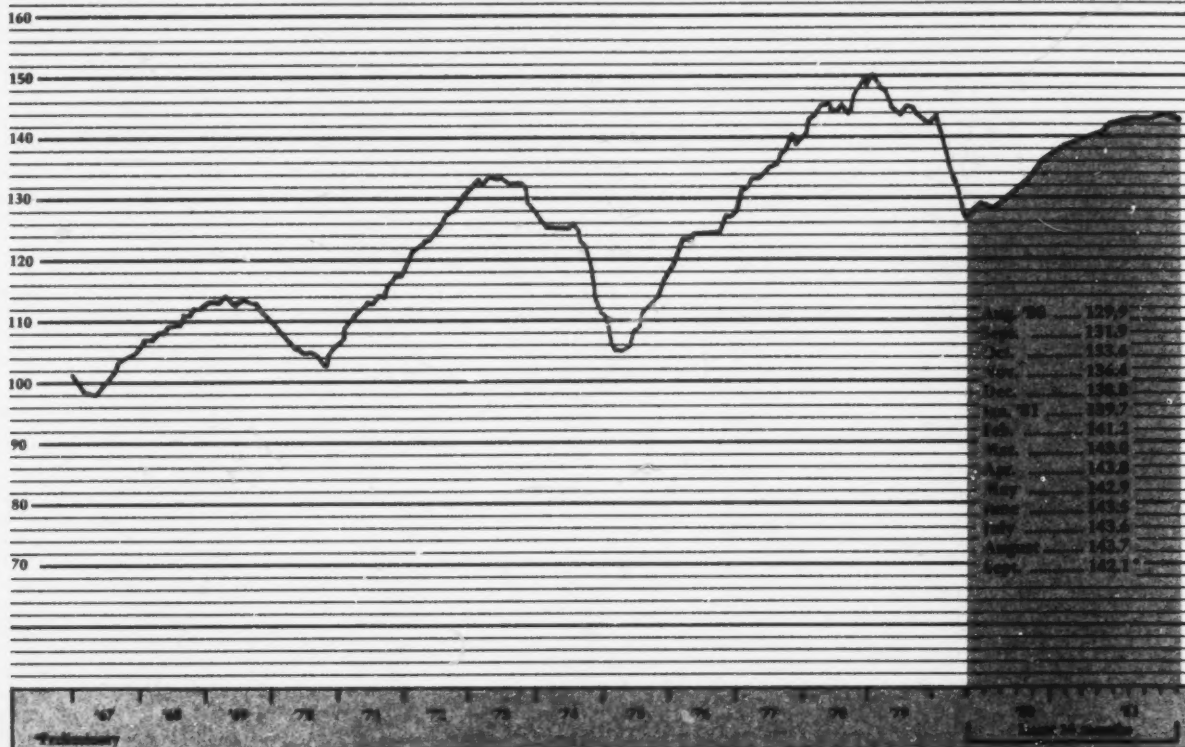
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The Forbes Index

Forbes Index



The Forbes Index Components

The bad news confirmed. The Forbes Index has posted a 1.1% drop. This is the biggest setback since the beginning of the last recession, early in 1980. A major factor: unemployment claims, which are up 13%. Manufacturers' new orders are also down, and inventories are up. Only personal income bucked the trend, with a 0.5% gain.

The FORBES Index is a measure of U.S. economic activity composed of eight equally weighted elements:

Total industrial production

New claims for unemployment compensation

The cost of services relative to all consumer prices

The level of new orders for durable goods compared with manufacturers' inventories

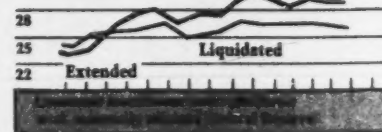
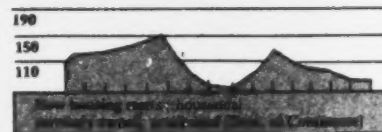
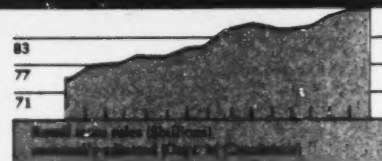
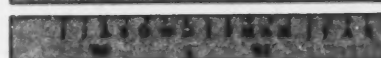
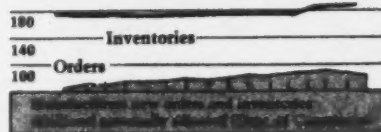
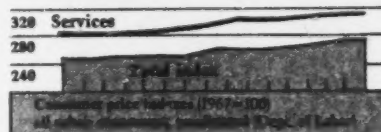
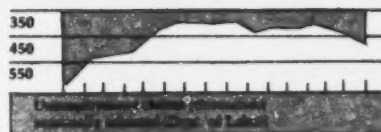
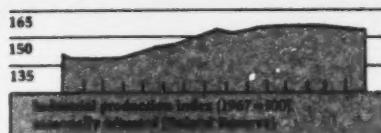
Total retail sales

New housing starts

Personal income

The change in the amount of consumer installment debt outstanding

To measure these eight elements, FORBES monitors 11 series of U.S. government data. The last 14 months' data for each series is presented at right.



GM and Ford to UAW: Surrender pay and benefits now or we will move jobs abroad. Answers the union: Even if that's true, how do we convince the workers?

A million jobs to go

By Jerry Flint

THE AMERICAN PUBLIC has given the U.S. auto industry an ultimatum: Produce better-quality cars at a lower price or we will buy Japanese. General Motors Corp. and Ford Motor Co. are passing the ultimatum to the United Auto Workers: Slash the pay and fringe benefit package. Don't nip pennies from it; hack off dollars per hour. Slash it now. We aren't going to wait until new contract bargaining next summer and fall. If you don't, we will move production overseas. If we don't, the public will do it for us.



Ford Vice President Pestillo
Wanting yes for an answer.

At Ford, Labor Relations Vice President Peter Pestillo says these types of stay-or-go decisions involving about 20,000 jobs will be made before the end of next year.

Peanuts, General Motors Chairman Roger Smith tells FORBES. "You're talking about hundreds of thousands of jobs. You're talking megajobs." It's not just the production of hidden parts—engines, transmissions, seat springs—as far as GM is concerned. "We're searching for an S car, we're searching for a T car. We have got to know before September. We can't wait and make that kind of decision on 'maybe something will happen.'"

For those who don't understand Detroit's code words, the T car is GM's smallest built in the U.S., the Chevrolet Chevette. The S car is the planned 50-miles-to-the-gallon supermini. The replacement for the Chevette and the new S won't be on sale for years, but the where-do-we-build-them decisions must be made in the next few months. "We're not trying to win propaganda points by seeking a solution before the present labor contracts expire next fall," Smith said the other day. "We're trying to keep our company competitive and thereby save jobs—

now, before it is too late."

Some parts for U.S. cars already are imported: diesel engines for the Chevette, transmissions in Ford's Escort and Lynx models. But this could be only the start: "It's because of our lead time," says GM's Smith. Orders on the '84 and '85 product are being made. In short, the decisions made today don't mean the immediate closing of plants, but could mandate the closing of plants three or four or five years down the road, when the new models with new engines and transmissions and seats arrive. Once the commitment is made to bring engines from Mexico or transmissions from France or Japan, the jobs are gone, maybe forever. Even GM work that stays in this country may move to lower-cost outside suppliers, union and nonunion, another GM man says.

GM and Ford talked about renegotiating their contracts in the past and the UAW rejected the overtures. GM and Ford raised prices; it was business as usual. Then the business collapsed with no sign of any turnup. High prices—a new American car now averages \$9,000 or more—and the Japanese onslaught have chopped U.S. car production potential to 6 million to 7 million a year from 8.5 million to 9.5 million annually a few years ago. The third-quarter losses were staggering: \$468 million at GM, \$334.5 million at Ford, \$149 million at Chrysler. Production schedules for the fourth



UAW President and Chrysler Director Douglas Fraser
Wanting to know the quid pro quo.

quarter are being slashed again.

GM is in the best shape of any U.S. carmaker, but even its plan has cracked. Its front-wheel-drive J cars, introduced last spring, failed to catch fire—overpriced, underpowered and dully styled, critics say. Conversion of one North American plant to J car output has been put on hold; two new plants that were on the drawing boards, Kansas City and Flint, Mich., are dead. Layoffs are ordered for the front-wheel-drive X car plants at Oklahoma City and Willow Run, Mich. Ford told workers at its Sheffield, Ala. aluminum-casting plant to take a 50% pay/benefit cut, buy the plant (and then cut their own pay) or see it closed. At a Livonia, Mich. transmission plant, Ford workers were told to eliminate some make-work practices or be out of the bidding for the next big transmission job.

Of course, Ford and GM don't like to use the word *ultimatum*. "There are legal constraints," says Ford's Pestillo. "We've got a contract, and we've got to honor it." Threatening to move

jobs unless a valid contract is renegotiated might be some sort of unfair labor practice. But everybody knows that it goes beyond questions of fairness: When the people of California give half their new-car business to the Japanese, they serve notice that Detroit's splendid isolation is over—no longer may union and management write themselves fat checks and expect the American people automatically to honor them.

The smallest changes may be significant. Take the Ford transmission plant outside of Cincinnati. The decision was made to make the new transmission for next year's Ford small truck, the Ranger, in Bordeaux, France. The French transmission is 23 pounds lighter, a bit better on mileage and \$44 cheaper. They still are making big-car transmissions at the Ohio plant. But another Ford official says the decision to put that small transmission in France means the eventual doom of the U.S. plant as the bigger cars fade from the scene.

Years ago this type of crossbreeding

was impossible. American cars were big, with V-8 or 6-cylinder engines. As the cars become similar, job transfer becomes a way of cutting costs in an industry where cutting costs means survival itself.

A year ago GM figured its U.S. labor cost at \$18.60 an hour, including a base rate of \$9.65 and cost-of-living allowance of another 84 cents, against labor cost of \$10.78 for Japan at 206 yen to the dollar. Today GM figures its labor cost at \$19.65, including \$9.90 average base rate and \$1.63 more in COLA, and the yen is at 234 to the dollar—giving Japan a further advantage. "We are now operating in an international market—not a domestic one—and our offshore competitors are fully capable of reducing us to a third-rate power in that market unless we do something about it," says GM's Smith.

"I hope all of our union people will understand that and deal with it."

Pestillo says Ford figures it is closer to \$10 an hour behind the Japanese now and getting worse as U.S. pay costs climb 10% to 11% a year and Japan's climb 7%.

The manufacturers know where to cut: They want to chop some of the 28 annual paid days off, in addition to vacations; put ceilings on COLA pay; trim the annual wage increase; keep the costly fringes from new hires; and get worker contributions to the soaring medical and pension bills.

What is the union going to do? Douglas Fraser, the UAW president, talks frankly with FORBES about the union's dilemma: Do the facts justify going to the bargaining table to renegotiate the contract? "From a bargainer's point of view, who knows whether or not they're bluffing."

If they are not, could the union convince the workers to take cuts? "Is it manageable politically?" he asks.

Fraser is not only the president of the UAW; he is a member of Chrysler's board of directors. Detroit is a small town, and he talks with the industry leaders. "I said to Roger Smith last week that even if we were willing to go to the bargaining table, our opposition [within the union] would make the case that the economic climate is so bad, so poisoned, that no matter what we do, it won't help business." And no union leader likes to be called a "sellout."

Fraser says GM's second-quarter net, \$515 million, made it impossible to convince workers then that concessions were needed. "It's hard for us when they speak out of both sides of the mouth. They tell us they'll have to move [out of the country] and they tell

Tale of the pay envelope

Japanese autoworkers don't have it so bad—provided the company they work for remains profitable. Their bonus, \$2.16 an hour in the latest available figures, is contingent upon profitability. The U.S. autoworker, by contrast, receives more than double the base pay of his Japanese counterpart—a difference of \$5.39 an hour—regardless of profitability. Since GM made this comparison, labor cost has risen to \$19.65 an hour and the yen has gone to 234 to \$1, increasing the gap.

	\$ per hour		
	Japan ¹	GM ²	GM versus Japan
Payroll-related			
Base pay	4.26	9.65	(5.39)
Overtime	1.05	0.51	0.54
Bonus ³	2.16	—	2.16
Night shift allowance	0.59	0.27	0.32
Commutation allowance	0.21	—	0.21
COLA	—	0.84	(0.84)
Vacation/PPH/paid absence	0.55	1.45	(0.90)
National holidays	0.25	0.77	(0.52)
Other	0.03	0.04	(0.01)
Total payroll-related	9.10	13.53	(4.43)
Benefits			
Group/medical insurance	0.32	2.27	(1.95)
Medical services	0.12	—	0.12
Housing allowance	0.29	—	0.29
Meal, uniform allowance	0.06	—	0.06
Pension	0.48	1.54	(1.06)
Unemploy. ins. & Soc. Sec.	0.35	0.96	(0.61)
Supp. unemployment benefits	—	0.30	(0.30)
Other	0.06	—	0.06
Total benefits	1.68	5.07	(3.39)
Grand total	10.78	18.60	(7.82)

¹August 1980 data for all full-time (both production and office) employees of a representative manufacturer, translated at current exchange rate (206 yen/\$1). ²Third-quarter 1980 data for hourly employees. ³Contingent upon firm's profitability and payable in August and December.

Source: General Motors

the public they see the light at the end of the tunnel, that the scrappage rate is high, the pent-up demand. This is what our members read."

And, Fraser says, there's no question of a one-sided deal. "Before we took that step we'd want to know the quid pro quo." General Motors and Ford both talk about profit sharing if the union gives back big dollars. But Fraser asks about job-sourcing intentions, job guarantees, plant closings. If they threaten us with closing unless we deal, what do they promise us if we are willing to deal? he asks.

The industry claims it can't make promises. Says Ford's Pestillo: "If they gave up \$5 would it produce X jobs? No, I can't prove that even if they cut wages I'll create 50,000 jobs or take back 40,000 on layoff." Smith of GM: "What good is a promise given from bankruptcy court?"

Do the companies have a package ready to offer? "No," says Pestillo, but he also says he could whip one up pretty fast, and if Ford is to give job guarantees there have to be certain rules. "If we're going to keep you for good and ever, we're not going to play games with you for good and ever," says the Ford vice president.

Fraser understands the squeeze the companies are putting on. The workers at the Ford Livonia plant voted late in October to give up some job manning and overtime practices. "I'm glad they did it," he says. But the Ford demand for a 50% cut at the Alabama plant would crack open the master contract. He's against that.

So far neither Ford nor GM has formally requested bargaining, reopening the contract. "It's a little bit like courting," says Pestillo. "I only want to ask the question once, and I really want to get yes for the answer." But time is running out. Another pay raise from COLA will come in December and another in March. Decisions have to be made. "Someday I might need that no," he says.

Pessimism is common in Detroit and probably justified. Laments one Ford man: "The union will defer some increases and give up a few things, but not much. They don't feel at fault."

What if the alternative to those pay cuts is really closing the Ford Alabama plant? FORBES asked Fraser. His answer might be a bargaining ploy, but maybe it wasn't. After all, labor traditionally opts for higher pay even if it means fewer jobs. "Then they'll have to close it," he says.

But Fraser is a bright man. He knows that if the plant closes it is really the American consumer who is closing it, not Ford management. ■

GM couldn't make money on its New Jersey roller-bearing plant, but its workers hope to make millions. Their secret: working an eight-hour day.

Go forth and compete!

By Allan Sloan

WHEN GENERAL MOTORS unloaded its roller-bearing plant in Clark, N.J. the other day, Chairman Roger Smith made a big deal about the fact that the plant's workers were turning it into an employee-owned operation and taking an average 25% cut in salary and fringe benefits.

What no one said was the reason the Clark plant failed under GM's ownership was that the company gave in to the United Auto Workers on so many points that the plant became hopelessly featherbedded. Its new employee-owners plan to make the plant profitable by using just 800 workers to turn out the same number of bearings GM produced with 1,200.

How can the workers be 50% more

productive than they were under GM? Easy, says Jim Zarrello, chairman of the Clark UAW local: They will do a day's work for a day's pay.

"It's no secret," Zarrello says, "that the union helped create an atmosphere where people who were in the plant eight hours did four hours of work. That's appropriate when GM is making billions in profits—you make more jobs, and you make work easier for your men. But it's no longer appropriate." This from a man who even in UAW circles is regarded as something of a militant.

GM has wakened to the fact that being an integrated carmaker isn't what it was during Alfred P. Sloan's heyday 60 years ago. Sloan wanted GM to make its own components to keep quality up and costs down and to keep outside suppliers on their toes.



Hyatt's Alan Lowenstein (left) passes ceremonial check to GM's Roger Smith. The pose is a cliché, but the idea is original.

ment reportedly included honoring the remaining term of his contract, claims he still doesn't fully understand why he was ousted. At the meeting Keck reportedly did not say anything that was critical of Reid; neither did other directors, who typically defer to Keck.

Was Ackman behind Reid's ouster? There is general agreement among departed executives that he hungered for the top spot and probably used his access to Keck to get it. Was Keck persuaded that Reid was getting too much credit for Superior's outstanding record? Or was Keck suffering from withdrawal pains and did he want to inject himself back into company management?

Keck isn't talking. Though he has a son and an older brother, neither is now active—or is ever likely to be—at the company and Keck himself spends much of his time in Los Angeles these days. Which leads to another question: Is Superior for sale? One oil executive who knows Keck thinks he's ready to deal. In that case, Reid's team, with their spirit and commitment, might have scared away potential buyers. "Those guys put their heart and soul into Superior," says a corporate insider. "Ackman is an administrator and caretaker. Could you have a better guy if you are ready to sell?"

Indeed, Superior remains a tempting prize. In today's environment, the oil majors are clearly willing to spend huge sums to buy proven reserves, and Keck's company is richly endowed. What's more, it's better-than-50% wildcat success rate is among the highest in the industry. Morgan Stanley puts Superior's appraised value at over \$70 per share, more than twice the current stock price, and earnings this year should top \$400 million—up 20%—on sales of \$2 billion. "The reserve base is tremendous, exploratory prospects are excellent and financial strength is impeccable," says Morgan Stanley's Thomas Hassen. Other oil analysts figure it might take \$10 billion to buy the entire company. Big money? Yes—in the same league as what Du Pont paid for Conoco.

Since neither Keck nor the company is talking and since Reid is in the dark as to why he was fired, speculation and gossip are inevitable. The prevailing speculation is this: The vacillating and indecisive Keck is well aware that oil prices may have peaked and that now is the time to sell out; but he is of two minds about how to handle the heritage his father handed him. Psychology, not valuation analysis, may provide the final answers. ■

Why is Mobil bidding billions for Marathon, while Southland Royalty can't even get a bid it likes? Because of the outlook for the real price of oil.

The game changes

By Toni Mack

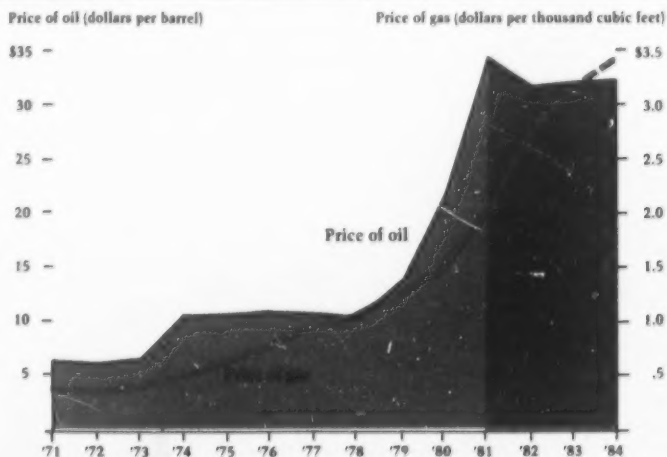
WHAT'S GOING ON in the oil patch? Southland Royalty, the Ft. Worth-based independent, put itself up for sale in September but said last month that it couldn't get a bid it liked. Yet Mobil has made a \$5.1 billion offer for a reluctant Marathon Oil. Contradictory signs. What's going on? The game is changing. Some of the smartest oilmen in the Southwest are tak-

ing a hard look at the prospects for the price of oil and they don't see it rising significantly in the near future. Many in the oil patch, in fact, see a drop in real terms—the price of oil discounted by annual inflation. In spite of OPEC's agreement on a "unified" \$34-a-barrel benchmark, there are many oilmen who think that, barring a major supply disruption, there will be plenty of oil to meet waning demand.

Robert Phaneuf, oil analyst at Kidder, Peabody in Dallas, thinks oil

Outlook: flat to down

Calculated in 1981 dollars, the price of oil has risen sharply, flattened out, risen again post-Iran and now looks—according to most forecasts—to be flattening again. Natural gas prices should continue to rise.



Sources: Independent Petroleum Association of America, for 1971-80; Consensus of oil forecasts for 1981-84; William Randol, First Boston; Robert Phaneuf, Kidder, Peabody & Co.; Greg Stoerner, Underwood, Neubaus, Stephen Marasca, Argus Research; Gas forecasts: American Gas Association.

Cheap oil

Mobil's \$85-a-share offer for Marathon Oil looks high, but it works out to about \$3.50 per share of Marathon's reserves. The stock market had priced each barrel of oil and oil-equivalent reserves at \$2.58 (total market value divided by barrels of U.S., Canadian and European reserves). The table also lists reserve prices, along with an estimate of their true value per share, for companies cited by oil analysts as acquisition candidates.

Company	Common stock price per bbl of reserves	Recent price per share	Estimated value of reserves & exploration acreage per share
Forest Oil	\$2.49	\$26.50	\$109.91
Marathon Oil	2.58	63.75*	214.89
Sun Co	3.27	37.63	112.41
Consolidated Oil & Gas	3.69	14.00	36.58
Cities Service	4.25	44.00	109.34
Union Oil of Calif	4.25	38.13	87.76
General American Oil	4.81	36.00	59.19
Louisiana Land & Exploration	6.07	27.75	46.49
Supron Energy	6.40	26.88	43.50
Pennzoil	7.68	43.38	60.60

*Before Mobil offer.

Source: Bruce Lazier, Paine Webber Mitchell Hutchins

prices will hold at \$34 through most of 1983—thus falling in real terms—and then will rise at 1% to 2% above inflation. Phaneuf is an optimist. Charles Maxwell of Cyrus J. Lawrence believes there's a 50% chance of a severe drop—below the \$34 OPEC benchmark, to a price eventually stabilizing around \$22 to \$25.

In sum, oil is no longer an inevitably appreciating asset, and this is a problem for the independent exploration and production companies. When you can't count on next year's price rises to help pay for your exploration program, the high costs of acreage, drilling (now around \$83 a foot) and money take the fun out of the game. "These costs make it very difficult to find new oil at discounted present net worth that makes sense," says George Mitchell of Mitchell Energy. The cost of finding a barrel of oil is \$15 to \$20 now, while First Boston's Thomas Petrie and William Randol figure the present net value of oil in the ground is \$12. (Lifting costs, severance and windfall profits taxes and discounting account for the difference between \$12 and \$34.)

Faced with that kind of future in the business, independents like Southland Royalty are considering cashing in. Denver's Hamilton Brothers Petroleum has spoken of selling almost all its oil and gas reserves and giving shareholders the cash. Those are the kinds of companies that explore for small to medium-size pools of oil in places like Sweetwater, Tex.—dusty, out-of-the-way places. Because of their big company cost structure, oil majors

like Mobil don't send drilling crews to Sweetwater. Rather, they talk of how hard it is to find the big discoveries. The oil majors as a group find one new barrel of oil for every three they produce, one new cubic foot of gas for every two they produce.

So for the major company like Mobil, needing fresh supplies of oil and gas to replenish its depleting reserves

The costs of acreage, drilling (now around \$83 a foot) and money are a problem. "These costs make it difficult to find new oil at discounted net worth that makes sense," says George Mitchell of Mitchell Energy.

the independent company becomes an attractive acquisition—especially as independents' stock prices have been slumbering at roughly half their 1980 highs for several months. As Mesa Petroleum's Chairman Boone Pickens puts it: "Why not buy stock and get oil in the ground for \$3 a barrel?" (see table above).

If they don't choose to sell out, independent oil companies have the option of paring down to adjust to the new realities of oil. A company can pare down by selling producing properties or by spinning off reserves to direct ownership by shareholders in a royalty trust. By reducing his company's size, an oilman insures that a big discovery will have more of an impact—the kind of exciting possibil-

ity investors like. Independents are watching closely to see whether the royalty trust, a pare-down mechanism initiated by Mesa two years ago, will get tax-free trust status from the Internal Revenue Service.

Southland Royalty has pursued the royalty trust and is now selling out. President Jon Brumley, who built up Southland's assets through shrewd acquisitions, isn't saying much these days beyond his announcement last month that responses to Southland's public auction were unacceptable. But Alan Edgar of Dallas' Schneider, Bernet & Hickman gives this view of the company's thinking: "They're faced with a balance sheet that's heavily laden with debt because of the acquisitions. But they haven't made it as oil and gas finders, so they're selling out. You have to give them credit for realizing their limits." The stock market's view is clear. Southland stock jumped from 25% to 34½ on Sept. 15, the day after the sellout was proposed. But it dropped from 38%, near its asset value of around \$40 per share, to 29% on Oct. 29, when no deal was announced.

Here are a few more candidates for sellout or spinoff:

- Adobe Oil & Gas, 23% owned by Billy Joe Evehouse, who is said to be ripe for a sellout. "He's relaxed, he's rich and he's slowing her down," says an analyst.

- General American Oil, perennial object of merger rumors, may be considering a royalty trust. Its chunk of the East Texas field would make a good centerpiece for one.

- Forest Oil—56% owned by insiders—and Louisiana Land & Exploration, termed respectively "a country club company" and "the obvious dog of the crowd" by observers. No one knows whether either or both will sell out, but many think they should.

Not all energy companies are potential sellouts. Companies that produce mainly natural gas, like Texas Oil & Gas, still have a bright outlook because the price of gas will rise at a rate above inflation until deregulation in 1985, if not before. And many small exploration companies hold more promise than reserves.

Investors betting on a fat takeover premium should note Delhi International Oil, the Dallas-based company with oil and gas reserves in Australia. Delhi put itself up for sale in August of 1980. Its price on the American Stock Exchange rose from around \$60 to \$116.50, but nobody bid that much for the company. In September Delhi agreed to sell to an Australian company for \$78 a share. ■

If business were as simple as a population curve, Wall Street's fascination with nursing home companies might be justified.

Gray gold

By Jeff Blyskal

TALES OF PATIENT-BEATINGS, druggings and deaths still abound, but on Wall Street at least the nursing home business is shedding its Dickensian image. Over the past three years, stock performance of the big proprietary chains has been anything but geriatric. Price/earnings ratios of 14 to 18 are common, and price gains are impressive: Beverly Enterprises, the \$450 million industry leader, up around 700% since 1978; National Health Enterprises up an even greater 900%. Even the once-bankrupt Four Seasons Nursing Centers is now prospering under Anta Corp.

Almost everybody sees explosive nursing home growth in the offing. Because of a Thirties baby boomlet, the postwar baby boom and increasing longevity, an enormous bubble of future elderly will start pushing up the over-65 population—by 20% during the Eighties. If 5% of the elderly continue to go into nursing homes, as is the case today, what is now a \$22 billion industry will balloon to \$76 billion by 1990. There is already a shortage of nursing beds.

That's why the big nursing home chains are prospecting for acquisitions—much as the for-profit hospital companies did during the Seventies. So far this year California-based Beverly Enterprises has added over 10,000 beds, increasing its size by 25%. The fight for Cenco Inc. was a major Wall Street

confrontation. Beverly Chairman Robert Van Tuyle sees boom times ahead for occupancy rates, translating into "significant revenue and earnings growth."

Right now, 70% of all nursing beds are in for-profit homes, and their

number is growing about 1% annually. On average, a day in a proprietary home costs \$32, \$4 less than in an equivalent nonprofit facility, thanks to economies of scale.

Still, the transfer from cold demographic statistics to the nursing home industry's income statement will not be automatic. For-profit homes did not come into their own until about 1965, when the state and federally funded Medicaid program became a major revenue source. Today Medicaid funds almost 50% of all nursing home services. Thus, over the past 15 years, most of the big chains have grown fast. The ten largest account for 10% of all nursing beds.

Now for the bad news: The new federal budget approved in August contains 3%, 4% and 4.5% Medicaid funding cutbacks over the next three years. This will likely touch off additional state cutbacks.

"Governments can't fund what they have now," says Deloitte Haskins & Sells partner James Dwight Jr., author of a recent National Council of Health

Centers report on the future of long-term health care. He doesn't think government will be able to maintain its current proportion of nursing home funding. That could force a big downward recalculation of future demand estimates. "The assumption that everything will stay the same, except the population will grow, is probably not a good one," adds Dennis Fischer, Medicaid's financial administrator.

The importance of these changes isn't lost on nursing home executives. They just disagree about the effect. Lawrence Hill, who runs ARA Services' nursing care division, says the reimbursement squeeze is already on. He's projecting several lean years for nursing homes as the industry adjusts to reduced Medicaid fundings. Hill says there's no connection, but ARA is abstaining from the current takeover mania.

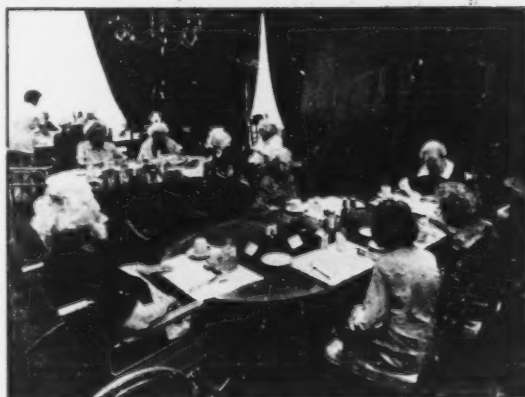
Van Tuyle agrees that public funding of long-term care won't continue at the present rate. But he doesn't think that will hurt business. "Families today make sure Grandma and Grandpa have distributed all their assets," he explains. "Then they put them in a nursing home and Medicaid picks up the tab. With fewer Medicaid approvals, they'll be-

No creaky joints

The nursing home industry is consolidating fast. Today the ten largest chains, listed here, account for 10% of the total number of beds in the country.

Company (where traded)	Number of beds
Beverly Enterprises (Amex)	38,488
ARA Services (NYSE)	31,325
National Medical Enterprises (NYSE)	14,534
National Health Enterprises (Amex)	9,951
Cenco Inc (NYSE)	6,469
AMI (not traded)	6,300
Unicare Services (o-t-c)	5,745
Mediplex (not traded)	5,738
Care Corp (o-t-c)	5,243
Continental Care Centers (o-t-c)	5,046

Source: Modern Healthcare, data as of 12/31/80



A Beverly Enterprises nursing home in Virginia
Nice . . . but can everyone afford it?

come private patients. That's more profitable for us."

Why more profitable? Private patients can afford higher levels of care because the money is coming out of their own—rather than government-regulated—pockets.

Indeed, the prospect of government cutbacks helped make Cenco so attractive that the successful middle-size chain sparked a bidding war between Manor Care and National Medical Enterprises. Manor won at a premium of about twice book value. Says Cenco's chairman, S.D. Brinsfield, "We're not as dependent on Medicaid as other chains, because we're strong in the private-pay market."

Whether that market will stay strong is the real question. If the choice is between sending Grandma and Grandpa to the nursing home or getting the furnace fixed, the old folks may well lose out. "Remember, before Medicaid there was no demand for nursing beds because people couldn't afford to pay for them," says Dwight.

The challenge for the industry is to provide service with more value or less cost. There are two promising approaches. Continuing care (see box) couples community living with conventional nursing facilities, while in-home care is a way of marketing to customers with less serious medical needs. Already, Beverly is experi-

menting with home services. That's a break-even business today, but with considerable potential. "There's no capital investment," says Van Tuyle. "All you need is trained people."

The graying of America, of course, won't necessarily bring a pot of gold to nursing home operators. Hard economic realities could bring back the extended family. But don't count on it: With housing increasingly expensive and with both spouses often working, many people will have no choice but to board out their elders. That is a guaranteed opportunity for someone. How the nursing home industry can exploit it is the real question. ■

Sun City—with an add-on

Worried about the day someone in your family may be ready for a nursing home? If institutional care sends shivers down your spine, consider continuing care—a concept that may be a wave of the future. Residents live independently as long as they can and then receive gradually increasing levels of health care. It's a bit like Sun City with a nursing home add-on.

At the Kendal at Longwood community, 25 miles south of Philadelphia, residents pay entry fees that run from \$24,000 to \$70,000. That buys space in 1 of 225 cottage-style housing units—ranging from small studios to spacious two-bedroom, two-bath suites. Minimum monthly fees of \$700 per person—which can rise with inflation—cover meals, utilities and substantial health care.

From the nursing home industry's perspective, however, there's one big catch. Kendal at Longwood, like most of the continuing care communities around the country, is a nonprofit organization—one of seven facilities run by Philadelphia Quaker groups. Most other denominations have similar programs.

Continuing care, of course, has been around since the Fifties, but the communities got a bad name several years ago, when Pacific Homes, a group of

facilities run by the Methodist Church of California, went bankrupt. The church charged a one-time entry fee, based on then-current actuarial tables. The environment, however, was so pleasant that residents lived far longer than expected—playing havoc with the projected cost/income balance. That led to a tangle of litigation, which has been settled out of court. The Pacific Homes experience, however, scared many private companies away from continuing care. But the popularity of the concept and a massive market potential may lure them back.

Beverly Enterprises' Robert Van Tuyle, for example, likes continuing care because it removes some of the trauma a person experiences when entering a nursing home. "Residents deal with the same nursing staff and environment throughout," he explains.

Beverly's long-term plans include building new continuing care communities as well as acquiring existing retirement developments and adding nursing hospitals to them. Costs to the residents, Van Tuyle predicts, will be comparable to present outlays at nonprofit facilities, but economies of scale could allow margins somewhat better than the 6% now common at nursing-only locations.—J.B.



The nonprofit Kendal at Longwood continuing care community in eastern Pennsylvania
An independent, longer life for residents—and higher potential margins for national chains.

Do you believe the macro-analysts or the
micro-analysts? If you believe the former,
watch out. If you believe the latter, wow!

**What does 1982
look like?**



**By Steve Kichen
and Robert McGough**

OUR ESTIMATES ARE FALLING like the proverbial stone," says Stanley Levine. He is a vice president of Lynch, Jones & Ryan, a New York brokerage house that keeps tabs on earnings projections for over 2,200 companies made by over 1,000 investment analysts, and over the past six months Wall Street forecasters have been reducing their numbers for both 1981 and 1982. But even with lowered expectations Wall Street still shows some optimism. Collectively, the experts expect 1981 to be a better year than 1980, and 1982 to be a better year than 1981. Levine's data, officially dubbed the Institutional Brokers Estimate System (IBES), now indicates a 20% earnings increase next year for the S&P's 500.

The IBES estimates for 1982 on the following pages reflect the averages of three or more earnings estimates for each company. Sometimes, as is the case with Texas Instruments, projections come from as many as 24 individual analysts—and this occasionally means there is considerable disagreement. The higher the percentage variation in estimates (that is, the figure printed in the last two columns of the

tables beginning on page 135), the greater the difference of opinion. The broadest range of opinion, for example, exists with these companies:

High % variations in earnings estimates	
Company	
International Harvester	117.13%
Eastern Airlines	114.40
Republic Airlines	92.73
Ford	79.06
Revere Copper & Brass	56.63
Baker Industries	52.92
Tiger International	45.04
XTRA	34.76
Centran	33.25
Penn Central	31.87

A low number, on the other hand, means that the predictions generally cluster around the average:

Low % variations in earnings estimates	
Company	
International Multifoods	0.99%
Maryland National	1.05
Kidde	1.28
Amsouth Bancorp	1.31
Atwood Oceanics	2.05
Dominion Bankshares	2.10
First Atlanta	2.47
McQuay-Perfex	2.53
Family Dollar Stores	2.55
Hoover Universal	2.65

How accurate are the predictions? On a macro level, many experts think the overall IBES forecast of 20% may be elusive. Alan Murray, vice president of economics at Citibank, states flatly, "For me 15% is too high, but I wouldn't quarrel with 10%." E.F. Hutton economist Edward Yardeni shows even more constraint. "This recession has taken many analysts by surprise and there is a certain amount of wishful thinking about the magnitude of the problem," he cautions. "Actual results may be up only 5%." Otto Eckstein, chairman of Data Resources Inc., shrugs off the IBES numbers as "the usual analysts' optimism."

Conventional forecasters are by nature skeptical of Wall Street. Many of their number-crunching models monitor economic trends measuring from the top down, while corporate earnings estimators typically calculate from the bottom up. Rarely do the two approaches lead to identical conclusions. Which will be right? Neither the analysts nor the economic forecasters have brilliant records. But it's useful to know what the experts expect; these expectations do influence prices.

While the latest results indicate a general downward revision of earlier estimates, as usual there are some trend buckers. Over the last six months, in fact, IBES figures show

analysts have raised some 1981 forecasts. Look where optimism reigns:

Size of upward revision	
Industry group	
Recreational vehicles	20%
Steel	12
Offshore drilling	7
Furniture manufacturing	6
Oilfield services & supplies	6
Retailing	5
Soft drinks	3
Nursing homes	2
Telephone utilities	2
Textiles	2

Elsewhere, however, there have been big negative revisions over the same period:

Size of downward revision	
Industry group	
Airlines	-56%
Coal	-35
Nonferrous metals	-29
Specialty chemicals	-17
Finance & loan	-15
Building materials	-14
Cement & aggregates	-14
Electronics	-14
Investment companies	-13
Auto parts	-12

Take the airline industry. "Traffic has been weak and pricing has been awful," notes Anthony Low-Beer of L.F. Rothschild. "We're flying blind this quarter," echoes John Pincavage of Paine Webber. So much for the overall pessimism.

Northwest Airlines, however, is projected to post a more than 140% earnings increase in 1982. Why? Low-Beer is impressed by its low-cost operations and elimination of operating difficulties that plagued 1981. Eva Davis Holman of Donaldson, Lufkin & Jenrette points out that Northwest is the only major carrier with no expensive new planes on order, and a large proportion of its fleet is economical wide-body aircraft.

It is divergences like the one between Northwest's prospects and its industry's that make the analysts' micro-numbers useful to investors. It is important to know which way the big trend is going, but it is just as important to know who is bucking the trend and who isn't. Significant, too, is the wide divergence this time between what the big-picture economic forecasters expect and what the close-up security analysts expect. If the big-picture boys are right, there could be disappointment and stormy weather ahead for the stock market. But if the analysts' estimates for individual corporate earnings are even close, there are some tremendous bargains to be found in the stock market.

Rising stars

Even though analysts are revising their estimates downward, many companies are still likely to earn more in 1982 than in 1981. The following table includes 203 companies that are projected to improve profits by 33% or better next year. The 12 biggest stars and their expected gains are highlighted here.

Tosco	377.2%	Coastal Corp	171.8%	Lynch Communication	141.5%
XTRA	295.1	UAL	164.3	Pittston	137.1
Sun Electric	223.9	Arrow Electronics	152.8	Intel	136.6
Allis-Chalmers	173.6	Northwest Airlines	141.9	Asarco	136.1

Company	Recent price	Earnings per share ¹			% increase of 1982 over 1981	P/E based on 1982 estimates	% variation in earnings estimates ²	
		1980	1981 (est)	1982 (est)			1981	1982
Advanced Micro-Devices	18%	\$1.55	\$0.70	\$ 1.64	136.0%	11.51	53.36%	22.53%
Airborne Freight	9%	1.71	1.10	1.67	51.7	5.76	13.85	12.04
Akzona	11%	0.26	1.49	2.22	49.0	5.07	5.19	17.29
Allen Group	15%	2.03	2.30	3.17	37.5	4.85	4.95	10.98
Allis-Chalmers	15%	3.60	1.11	3.04	173.6	4.98	78.21	25.66
Amarex	20%	0.41	0.56	0.80	41.8	25.31	20.28	37.85
Amdahl	27%	0.80	1.54	2.36	54.0	11.55	6.50	15.17
Amerada Hess	24%	6.44	4.70	6.56	39.6	3.71	11.80	13.95
American Airlines	13	-3.69	1.99	3.97	99.6	3.27	28.55	28.76
American Family	7%	1.36	1.28	1.77	37.7	4.17	8.11	11.78
Analog Devices	17%	1.12	0.69	1.13	64.2	15.70	47.80	16.56
Apple Computer	18%	0.24	0.70A	1.35	92.9	13.80	6.57	5.57
Applied Materials	15	1.37	0.76	1.58	109.1	9.49	47.21	21.64
Arrow Electronics	12%	1.82	0.60	1.52	152.8	8.39	16.67	36.16
Asarco	28%	7.31	2.02	4.77	136.1	6.05	31.33	38.43
Ashland Oil	31%	6.43	1.96	4.00	103.5	7.91	24.50	30.77
Avantek	17%	0.43	0.57	0.76	33.5	23.03	3.03	3.63
Avery International	22	2.51	2.46	3.61	46.5	6.09	8.23	10.50
Aydin	21%	2.11	2.07	2.81	35.5	7.74	10.63	10.22
Barnes Group	18%	3.51	2.30	3.81	65.7	4.86	11.25	12.11
RG Barry	5%	0.62	0.70	1.17	66.7	4.49	14.29	21.57
Baker Industries	8%	2.49	1.13	2.50	120.6	3.35	30.99	52.92
Bell & Howell	18%	3.41	2.62	3.64	38.9	5.19	19.21	14.52
Beneficial	19%	3.45	2.33	3.52	50.8	5.54	20.45	19.11
Bentley Laboratories	39%	1.00	1.11	1.66	49.4	23.95	18.49	8.28
Biomedical Reference Labs	20%	0.99	0.89	1.19	33.6	17.02	1.68	4.76
Black & Decker Manufacturing	15%	2.14	1.63	2.27	39.6	6.72	12.90	9.87
Blocher Energy	15%	1.20	2.17	3.10	43.1	5.08	6.66	11.63
Butler International	10	1.63	1.49	2.29	54.5	4.36	4.98	11.10
CADO Systems	15%	0.94	1.22	1.79	45.9	8.52	5.27	4.78
Cenex	24%	2.66	2.94	4.21	42.9	5.76	11.62	15.35
Champion International	18%	2.86	2.38	3.37	42.0	5.56	15.54	17.87
Champion Spark Plug	7%	0.96	1.04	1.44	38.2	5.03	29.58	23.20
Cherry Electrical Products	10%	1.29	1.39	1.97	42.3	5.20	6.15	6.37
Chieftain Development	14%	0.66	0.67	0.92	37.6	15.90	8.66	3.15
Clark Equipment	28%	4.76	3.62	4.88	35.0	5.84	16.33	28.50
Coachmen Industries	7%	-2.09	1.08	1.67	53.9	4.49	13.32	17.32
Coastal Corp	40	4.52	1.45	3.95	171.8	10.13	110.81	16.51
Coherent	15	0.65	0.81	1.63	101.8	9.20	24.89	27.85
Colonial Penn Group	16%	3.29	1.64	2.77	69.5	5.86	48.70	25.84
Computer & Com Tech	23	0.65	0.94	1.27	36.0	18.11	2.67	16.17
Computervision	32%	0.90	1.26	1.77	39.6	18.50	4.08	5.08
Consolidated Freightways	32%	3.20	4.73	6.34	34.0	5.11	5.60	9.37
Consolidated Oil & Gas	14%	0.11	0.84	1.18	40.5	12.39	21.06	23.41
Core Laboratories	23%	1.37	1.78	2.40	34.6	9.79	3.24	4.17
Cray Research	36%	0.85	1.29	1.83	41.6	20.08	5.27	10.48
Crown Zellerbach	27%	1.66	2.27	3.51	54.2	7.76	19.93	17.60
Cullinane Database Systems	60%	1.47	1.93	2.74	41.8	22.08	14.31	9.21
Cummins Engine	37%	-1.31	7.39	10.26	38.9	3.67	49.97	17.33
Dana	25%	2.43	3.55	4.83	35.8	5.23	5.84	7.82
Data General	49%	5.20	4.02	5.65	40.4	8.81	5.56	10.49

¹For fiscal years ending June through May of the following year. ²Percentage around the average, in which two-thirds of analysts' estimates fall. The lower the percentage, the greater the agreement among the analysts. A: Actual.

Source: Institutional Brokers Estimate System; Lynch, Jones & Ryan

Rising stars

Company	Recent price	Earnings per share ¹			% increase of 1982 over 1981	F/E based on 1982 estimates	% variation in earnings estimates ¹	
		1980	1981 (est)	1982 (est)			1981	1982
Dataproducts	22½	\$2.21	\$1.83	\$ 3.09	68.5%	7.21	14.57%	24.65%
Dayco	13½	1.10	1.14	1.88	65.3	7.18	7.30	20.71
Deere	36	3.72	4.10	5.48	33.7	6.57	7.60	11.17
DeKalb AgResearch	23	3.60	2.86	4.10	43.0	5.61	16.43	11.84
Delta Air Lines	59½	6.50	7.21	11.19	55.3	5.32	29.69	19.21
Dravo	17¾	1.69	2.04	2.90	41.8	6.12	17.27	13.48
Eastern Gas & Fuel Associates	21½	2.45	2.09	3.18	52.2	6.89	9.72	8.16
Eaton	32½	4.18	4.00	6.09	52.2	5.28	17.77	8.41
Echlin Manufacturing	10½	0.55	0.70A	1.57	124.3	6.69	17.31	12.86
Emhart	30	5.37	4.61	6.53	41.7	4.59	2.81	5.38
Evans Products	21	2.96	1.52	3.14	106.1	6.69	46.68	31.77
Farah Manufacturing	10¾	0.64	1.42	2.03	43.5	5.05	35.70	49.75
Fieldcrest Mills	20	4.66	3.09	4.77	54.1	4.20	10.12	14.02
Finnigan	8¾	0.49	0.59	1.04	75.9	8.05	13.27	8.94
Firestone Tire & Rubber	9¾	-0.99	1.49	2.15	43.8	4.48	12.85	15.08
Fleetwood Enterprises	13	0.22	0.77	1.47	91.6	8.84	19.65	20.76
Flexi-Van	22¾	2.00	1.75	3.04	73.7	7.36	18.86	10.38
Forest Oil	25¾	0.31	1.14	1.66	45.4	15.51	22.15	31.87
Four-Phase Systems	33½	1.06	1.48	3.18	114.8	10.53	7.88	27.25
Foxboro	48½	3.87	4.43	5.92	33.5	8.19	8.27	8.44
Freeport-McMoran	24	2.60	2.87	3.95	37.9	6.08	6.56	19.20
Fruehauf	23	2.63	2.66	4.82	81.5	4.77	15.05	23.15
GAF	13½	0.53	1.18	1.76	48.7	7.67	19.94	33.70
GDV	19¾	1.82	2.32	3.17	36.7	6.27	4.98	9.12
Gearhart Industries	28¾	1.84	2.53	3.41	34.3	8.47	5.26	9.64
General Datacomm Industries	9¾	0.77	0.69	0.99	43.1	9.47	27.75	17.90
General Dynamics	24¾	3.58	2.93	4.04	37.6	6.03	13.55	8.78
General Motors	40¾	-2.65	3.68	8.64	134.6	4.72	15.82	19.21
General Portland	44¾	3.65	2.77	3.83	38.1	11.64	22.38	18.75
General Tire & Rubber	25	1.68	3.08	4.19	36.1	5.97	17.13	14.53
Georgia-Pacific	19¾	2.28	1.98	2.87	44.8	6.84	15.80	14.80
Gifford-Hill	19½	3.22	2.74	3.83	39.9	5.09	8.74	12.37
Gillette	28¾	4.11	3.50	5.01	43.3	5.74	7.42	8.33
Gino's	9½	1.67	0.90	1.83	103.7	5.19	60.09	56.77
Global Marine	19¾	1.73	2.53	3.99	58.1	4.92	4.53	10.88
BF Goodrich	20½	3.37	3.72	4.96	33.4	4.13	13.19	17.91
Goodyear Tire & Rubber	16½	2.85	3.08	4.16	35.2	3.97	12.27	9.30
GPU	5¾	0.34	0.64	1.16	80.0	4.53	29.25	9.80
Graniteville	9¾	2.54	1.41	2.25	59.6	4.39	17.08	11.11
Grumman	27¾	2.27	2.19	3.79	73.0	7.32	17.92	14.71
Hexcel	23¾	2.31	1.83	2.78	51.5	8.54	16.43	11.10
Hospital Corp of America	39¾	1.73	2.22	2.97	33.9	13.17	1.80	3.34
Host International	13¾	2.88	1.22	2.84	133.3	4.84	17.04	16.82
Inco	14	2.56	1.28	2.37	85.6	5.91	28.16	29.53
Intel	24¾	2.21	0.81	1.92	136.6	12.63	23.37	20.52
Intergraph	21	0.50	0.59	1.01	71.9	20.79	10.54	14.71
Intl Flavors & Fragrances	19¾	1.73	1.58	2.13	34.8	9.04	5.23	7.07
International Tel & Tel	28¾	5.50	4.49	6.13	36.5	4.69	26.93	5.62
Johns-Manville	15¾	2.47	1.31	2.73	107.8	5.63	21.62	21.43
Justin Industries	18	2.09	1.83	2.99	63.4	6.02	31.13	19.80
Kaufman & Broad	10½	1.76	1.36	1.86	36.1	5.65	21.44	17.62
Koppers	17¾	2.02	2.06	3.01	46.2	5.94	11.57	16.14
Kulicke & Soffa Industries	13¾	2.27	0.64	1.24	93.8	10.69	15.03	25.88
Levitz Furniture	36	3.10	3.32	4.72	42.3	7.63	5.70	13.43
Libbey-Owens-Ford	26¾	2.70	2.59	4.69	81.5	5.73	35.52	9.36
Lockheed	37¾	1.50	3.08	4.67	51.8	7.95	20.23	28.11
Louisiana Pacific	18¾	1.96	1.18	2.45	107.2	7.45	61.99	31.73
Lowe's Cos	20	1.45	1.65	2.32	40.7	8.63	12.07	17.75
Lynch Communication Systems	12¾	-1.35	0.51	1.24	141.5	9.78	12.28	16.62

¹For fiscal years ending June through May of the following year. ²Percentage around the average, in which two-thirds of analysts' estimates fall. The lower the percentage, the greater the agreement among the analysts. A: Actual.

Source: Institutional Brokers Estimate System; Lynch, Jones & Ryan

Rising stars

Company	Recent price	Earnings per share ¹			% increase of 1982 over 1981	P/E based on 1982 estimates	% variation in earnings estimates ²	
		1980	1981 (est)	1982 (est)			1981	1982
M/A-Com	26	\$0.77	\$1.07	\$1.45	36.1%	17.93	3.57%	5.01%
Macmillan	14 1/4	0.75	0.90	1.40	55.6	10.18	19.25	9.45
Management Assistance	11 1/4	1.26	0.98	1.53	56.8	7.35	33.25	23.13
Materials Research	15 1/2	1.35	1.00	1.85	85.0	8.38	46.73	15.13
Mattel	7 1/4	0.12	0.84	1.33	59.2	5.83	33.73	15.49
May Petroleum	26 1/4	0.80	1.32	1.84	39.8	14.54	11.63	10.99
McDermott	33 1/4	2.07	3.92	5.84	48.8	5.69	11.24	12.91
McGraw-Edison	33 1/4	3.12	4.35	6.40	47.2	5.18	2.07	8.99
MCI Communications	26 1/4	0.18	1.02	1.57	52.7	16.64	16.01	20.78
Measurx	15 1/4	2.09	1.33	2.19	65.1	7.24	26.76	19.05
MGM Grand Hotels	8 1/4	1.05	0.91	1.50	65.0	5.83	19.87	19.29
Millipore	17 1/4	1.40	1.25	1.88	50.7	9.24	18.67	17.51
Milton Bradley	23 1/4	4.17	3.21	4.53	41.2	5.24	12.82	11.96
Minnesota Mining & Mfg	51 1/4	5.78	5.28	7.07	34.0	7.30	10.69	6.37
Modern Merchandising	10 1/4	0.11	1.35	1.88	38.6	5.52	33.77	15.72
Mohasco	13 1/4	0.26	1.41	2.20	56.0	6.02	35.67	41.29
Mohawk Data Sciences	13 1/4	1.53	1.21	2.16	77.6	6.08	33.00	17.93
Munsingwear	15	-2.90	1.05	1.95	85.7	7.69	31.23	24.73
Nashua	18	4.60	3.40	4.84	42.3	3.72	13.43	16.57
National Semiconductor	19 1/4	2.37	1.19	2.26	90.6	8.57	48.20	47.95
National Steel	23 1/4	1.65	3.55	4.77	34.3	4.98	7.12	17.85
Newmont Mining	57 1/4	7.71	4.05	6.16	52.1	9.40	35.28	24.54
Newpark Resources	17	1.16	1.75	2.45	40.1	6.94	5.20	9.16
North American Coal	29 1/4	3.07	1.57	2.76	75.7	10.64	16.48	9.64
Northrop	45 1/4	6.04	4.09	6.17	51.1	7.35	16.33	17.02
Northwest Airlines	32 1/4	0.33	1.70	4.13	141.9	7.93	38.63	20.28
Nucor	56 1/4	6.62	5.98	9.08	51.9	6.25	14.17	13.47
Outboard Marine	14 1/4	0.28	2.66	3.76	41.7	3.92	4.11	5.38
Overhead Door	9 1/2	0.82	0.92	1.75	89.2	5.43	46.18	11.66
Owens-Corning Fiberglas	23 1/4	1.78	2.21	3.26	47.6	7.17	12.08	26.65
PACCAR	72 1/4	9.83	10.61	15.46	45.8	4.67	5.69	7.72
Paradyne	40	0.74	1.19	1.84	54.4	21.74	5.73	9.77
Peabody International	6 1/4	-0.75	0.61	1.02	66.2	6.26	32.32	17.39
Phelps Dodge	35	4.20	3.62	5.34	47.3	6.55	15.94	32.17
Pittston	25 1/4	2.06	1.04	2.47	137.1	10.17	42.18	13.19
Pizza Inn	7	0.59	0.67	0.93	40.0	7.53	4.33	29.50
Polaroid	20 1/4	2.60	2.44	3.38	38.2	6.10	13.28	10.98
Ponderosa System	14 1/4	0.60	1.92	2.67	38.8	5.34	12.19	19.22
Pope & Talbot	16 1/4	1.80	1.16	2.52	117.8	6.70	56.47	29.48
Potlatch	31 1/4	3.25	2.46	3.57	45.2	8.89	20.23	26.53
Prime Computer	24 1/4	1.07	1.27	1.80	41.1	13.54	3.17	8.14
Products Research & Chemical	9 1/4	0.80	0.79	1.09	38.4	8.60	14.72	10.21
PSA	18 1/4	2.28	3.33	5.85	75.9	3.23	44.23	15.39
Pulte Home	12 1/4	1.89	1.59	2.89	81.1	4.24	22.49	17.48
Quaker State Oil Refining	13 1/4	1.19	1.24	1.76	41.5	7.53	19.14	13.53
RCA	17 1/4	3.27	2.19	3.09	41.5	5.62	14.62	14.57
Redman Industries	11 1/4	0.76	1.16	1.81	56.3	6.22	11.75	13.58
Resorts International	17 1/4	3.85	2.21	3.37	52.6	5.12	41.71	18.99
Rexnord	15	2.03	1.80	2.46	36.4	6.10	13.55	6.74
Reynolds & Reynolds	18	2.33	1.42	2.23	56.3	8.07	3.81	10.26
RLC	10	1.86	1.26	2.37	88.7	4.22	19.53	10.46
Ryan Homes	16 1/4	2.32	1.64	2.71	65.3	6.00	18.13	22.55
Ryland Group	12 1/4	2.12	1.30	2.56	97.1	5.03	10.42	20.11
Scientific-Atlanta	27 1/4	0.90	1.30	1.77	36.4	15.75	7.03	7.36
SFE Technologies	13 1/2	1.11	0.99	1.74	76.3	7.76	3.20	14.98
Singer	15 1/4	1.92	2.04	3.21	57.5	4.79	9.24	27.21
Skyline	14	0.60	0.98	1.67	70.3	8.38	22.89	9.28
Sony	16 1/4	1.51	1.37	1.83	33.9	9.01	9.53	6.06
Southwest Forest Industries	18 1/2	3.11	1.75	2.79	59.4	6.63	40.25	31.99

¹For fiscal years ending June through May of the following year. ²Percentage around the average, in which two-thirds of analysts' estimates fall. The lower the percentage, the greater the agreement among the analysts. A: Actual.

Source: Institutional Brokers Estimate System; Lynch, Jones & Ryan

Rising stars

Company	Recent price	Earnings per share ¹			% increase of 1982 over 1981	P/E based on 1982 estimates	% variation in earnings estimates ²	
		1980	1981 (est)	1982 (est)			1981	1982
Spectra-Physics	20%	\$2.21	\$0.74	\$1.71	131.3%	12.21	42.87%	28.65%
Sperry Corp	30%	7.50	5.41	7.26	34.3	4.25	19.31	14.99
Sta-Rite Industries	12%	-0.20	1.61	2.21	36.6	5.49	7.81	9.89
Standard Pacific	9%	2.10	1.26	2.36	87.3	3.97	19.72	28.95
Sullair	11%	1.21	0.80	1.43	77.8	8.22	7.79	20.48
Sun Electric	10%	2.02	0.59	1.91	223.9	5.37	25.75	22.37
Tandem Computers	29%	0.35	0.70	1.08	53.8	27.55	5.37	9.39
Teradyne	30%	2.75	1.17	2.68	128.8	11.29	20.74	21.14
Texas Industries	31%	4.23	4.18	5.93	41.7	5.37	12.96	12.87
Texas Instruments	82½	9.22	5.13	8.86	72.8	9.31	14.48	12.71
Texas International	29%	0.76	1.01	1.54	51.5	18.91	20.13	32.67
Thomas Nelson	11%	0.37	0.86	1.25	44.8	9.20	12.71	6.93
Tiger International	12	2.05	1.63	2.53	55.0	4.74	50.52	45.04
Tosco	21%	2.15	0.54	2.59	377.2	8.45	136.38	37.70
Trans World	17%	-0.05	2.58	4.94	91.2	3.47	24.38	13.36
Triad Systems	33½	0.80	1.32	2.00	51.3	16.75	5.69	8.01
UA Columbia Cablevision	88	1.45	1.79	2.38	33.4	36.97	6.75	8.48
UAL	19%	0.70	1.65	4.37	164.3	4.49	40.42	28.27
US Home	15%	3.32	2.06	3.22	56.2	4.70	21.96	19.44
US Surgical	25	0.90	1.21	1.65	36.5	15.15	2.66	5.32
Universal Resources	17%	1.00	1.45	1.94	33.6	8.96	8.90	15.10
Varian Associates	27%	2.66	1.36	2.68	98.0	10.35	17.00	23.19
Wainoco Oil	15%	0.71	0.76	1.21	59.0	12.60	12.41	20.86
Warner-Lambert	19%	2.41	1.57	2.63	67.6	7.27	45.56	7.24
Watkins-Johnson	23%	2.23	2.25	3.04	35.0	7.65	12.29	11.28
Yavetek	10%	0.57	0.73	1.12	53.7	9.15	8.85	9.32
Western Union	29	1.80	2.40	3.22	34.3	9.01	5.91	13.61
Weyerhaeuser	26	2.47	2.06	3.46	68.0	7.51	13.47	23.94
Whittaker	34½	3.90	4.57	6.26	37.0	5.51	2.18	7.40
Wickes Companies	11%	0.50	1.74	3.19	83.2	3.68	21.35	17.39
Willamette Industries	26	3.98	3.16	4.46	41.3	5.83	10.46	18.63
Wyle Laboratories	8%	1.07	0.84	1.34	58.6	6.53	14.49	14.63
XTRA	14%	1.95	0.74	2.93	295.1	4.99	31.74	34.76
Zapata	31%	2.18	3.37	4.64	37.5	6.84	17.66	15.42

¹For fiscal years ending June through May of the following year. ²Percentage around the average, in which two-thirds of analysts' estimates fall. The lower the percentage, the greater the agreement among the analysts. A: Actual.

Source: Institutional Brokers Estimate System; Lynch, Jones & Ryan

Falling stars

Next year will have its quota of losers, too. These ten companies should show earnings declines in 1982. To screen out startups and troubled firms, the table excludes companies expected to earn less than 50 cents a share.

Company	Recent price	Earnings per share ¹			% decrease of 1982 over 1981	P/E based on 1982 estimates	% variation in earnings estimates ²	
		1980	1981 (est)	1982 (est)			1981	1982
Boeing	26%	\$6.23	\$5.18	\$2.79	-46.1%	9.63	6.33%	26.92%
Continental Group	34%	6.11	6.97	6.90	-1.1	5.04	10.35	9.08
Dayton Power & Light	13½	1.85	2.24	2.23	-0.6	5.94	6.62	5.40
Florida Steel	21	3.14	3.44	3.32	-3.5	6.33	8.92	22.38
Ideal Basic Industries	21%	4.75	3.53	3.40	-3.7	6.40	18.25	40.48
MassMutual Mtg & Rlty Invs	12%	1.61	1.93	1.87	-3.1	6.75	5.63	13.16
Mortgage Growth Investors	12½	1.37	1.60	1.42	-11.5	8.80	29.81	7.35
Pabst Brewing	13%	1.55	0.87	0.85	-2.7	16.18	48.23	57.53
Philadelphia Electric	13%	2.00	2.14	2.13	-0.7	6.28	4.96	4.63
Southern Calif Edison	27%	3.50	4.67	4.51	-3.4	6.04	2.57	7.90

¹For fiscal years ending June through May of the following year. ²Percentage around the average, in which two-thirds of analysts' estimates fall. The lower the percentage, the greater the agreement among the analysts.

Source: Institutional Brokers Estimate System; Lynch, Jones & Ryan

Overlooked stars

For many companies 1981 was an off year but based on 1982 earnings estimates, these 167 stocks are on the bargain counter. All have price/earnings multiples on projected 1982 earnings of 4.75 or less. The 12 cheapest stocks and their multiples are highlighted below.

LTV	2.08	PSA	3.23	Occidental Petroleum	3.32
British Petroleum	2.89	American Airlines	3.27	Baker Industries	3.35
USAir	3.12	Kaiser Aluminum & Chem	3.28	Ozark Air Lines	3.37
Royal Dutch Petroleum	3.22	Coleco Industries	3.30	Dan River	3.45

Company	Recent price	Earnings per share ¹			% increase of 1982 over 1981	P/E based on 1982 estimates	% variation in earnings estimates ²	
		1980	1981 (est)	1982 (est)			1981	1982
Alaska Interstate	20 1/4	\$5.30	\$ 3.82	\$ 4.43	16.1%	4.68	15.29%	27.08%
Allegheny International	34	4.11	7.91	8.71	10.2	3.90	6.68	9.47
Allied Corp	42	8.59	9.32	10.72	15.0	3.92	3.78	5.97
Aluminum Company of Amer	23 3/4	6.54	4.33	5.18	19.6	4.47	9.04	18.26
Amerada Hess	24 3/4	6.44	4.70	6.55	39.6	3.71	11.80	13.95
American Airlines	13	-3.69	1.99	3.97	99.6	3.27	28.55	28.76
American Business Products	11 1/2	2.15	2.12	2.45	15.3	4.69	11.61	14.72
American Family	7 1/2	1.36	1.28	1.77	37.7	4.17	8.11	11.78
American Hoist & Derrick	16 1/2	3.09	3.28	3.71	13.1	4.48	7.04	11.15
American National Insurance	12	2.21	2.47	2.65	7.1	4.53	8.16	11.78
American Stores	25	4.11	4.46	5.62	26.0	4.44	7.70	12.00
Ameritrust	29	6.33	6.61	7.20	9.0	4.03	1.99	3.12
Amsouth Bancorp	19	3.85	4.07	4.38	7.6	4.36	1.59	1.31
ARA Services	26 1/2	5.33	4.90	5.62	14.7	4.65	8.80	3.97
Armco	27 1/2	3.83	5.09	5.93	16.5	4.61	4.92	11.35
Atlanta Gas Light	15 1/4	3.10	3.15	3.48	10.6	4.38	2.75	7.08
Atwood Oceanics	25	0.64	5.53	6.13	10.8	4.08	4.64	2.05
Avco	20 1/2	4.69	3.94	5.12	30.0	4.03	6.34	4.81
Bankers Trust NY	32	7.22	6.73	7.57	12.4	4.23	3.90	5.47
RG Barry	5 1/4	0.62	0.70	1.17	66.7	4.49	14.29	21.57
Baker Industries	8 1/2	2.49	1.13	2.50	120.6	3.35	30.99	52.92
Bethlehem Steel	20 1/2	2.77	3.91	5.18	32.5	3.96	17.43	24.71
Bic Pen	11 1/2	1.80	2.05	2.54	23.9	4.68	7.56	5.97
British Petroleum	21 1/4	8.16	6.76	7.35	8.7	2.89	18.50	8.97
Brockway Glass	15 1/2	2.32	2.54	3.06	20.4	4.53	9.48	8.45
Business Men's Assurance	29 1/2	5.05	5.49	6.25	13.8	4.70	2.45	6.32
Butler International	10	1.63	1.49	2.29	54.5	4.36	4.98	11.10
Canadian Pacific	34	8.10	7.10	7.69	8.2	4.42	12.80	8.40
Carolina Freight Carriers	15 1/4	2.57	2.72	3.38	23.9	4.52	4.89	3.06
Central Hudson Gas & Elec	16 1/2	3.38	3.51	3.53	0.4	4.72	6.73	3.55
Centran	18	6.70	-0.31	4.83	NM	3.72	NM	33.25
Chemical New York	55 1/2	9.72	11.03	11.87	7.6	4.67	4.43	6.66
Cluett, Peabody	12 1/2	1.57	2.44	2.94	20.5	4.38	2.24	8.10
Coachman Industries	7 1/2	-2.09	1.08	1.67	53.9	4.49	13.32	17.32
Coleco Industries	7 1/4	1.83	1.69	2.20	29.9	3.30	13.70	14.01
Colonial Life & Acc Ins	14 1/4	2.70	2.78	3.15	13.3	4.52	3.01	5.50
Cone Mills	31 1/4	8.88	6.17	7.45	20.8	4.19	13.76	12.20
Cummins Engine	37 1/2	-1.31	7.39	10.26	38.9	3.67	49.97	17.33
Dan River	12 1/2	3.42	2.96	3.73	26.3	3.45	6.72	11.96
Dorsey	19 1/2	2.66	4.05	4.80	18.6	4.08	10.56	9.46
Eastern Airlines	6 1/2	-1.96	-0.59	1.42	NM	4.58	NM	114.40
Emhart	30	5.37	4.61	6.53	41.7	4.59	2.81	5.38
Ethyl	23 3/4	4.37	4.40	5.19	17.9	4.58	6.15	8.66
Exxon	30	6.50	7.10	7.23	1.7	4.15	4.43	7.30
Fairchild Industries	14 1/4	3.97	3.94	4.00	1.4	3.56	10.85	18.80
Family Dollar Stores	7 1/4	1.37	1.46	1.71	16.6	4.51	1.31	2.55
Federal	19	2.47	3.47	4.50	29.7	4.22	16.09	22.22
Fidelcor	23 1/2	2.86	4.67	5.13	9.8	4.61	11.34	12.59
Fieldcrest Mills	20	4.66	3.09	4.77	54.1	4.20	10.12	14.02
Figgie International	14 1/2	3.20	3.52	3.88	10.2	3.83	3.27	3.99

¹For fiscal years ending June through May of the following year. ²Percentage around the average, in which two-thirds of analysts' estimates fall. The lower the percentage, the greater the agreement among the analysts. A: Actual. NM: Not meaningful.

Source: Institutional Brokers Estimate System; Lynch, Jones & Ryan

Overlooked stars

Company	Recent price	Earnings per share ¹			% increase of 1982 over 1981	P/E based on 1982 estimates	% variation in earnings estimates ²	
		1980	1981 (est)	1982 (est)			1981	1982
Firestone Tire & Rubber	9%	\$-0.99	\$1.49	\$2.15	42.8%	4.48	12.85%	15.08%
First & Merchants	26½	5.05	5.43	5.76	6.1	4.60	1.90	3.87
First Atlanta	23½	3.46	4.87	5.08	4.4	4.62	2.87	2.47
First Bank System	34½	7.02	6.99	7.92	13.5	4.35	3.32	7.57
First Commerce	26¼	5.21	5.36	5.87	9.6	4.56	3.81	6.55
First National Boston	44	8.30	8.93	9.73	8.9	4.52	1.77	3.04
First Union	20¼	4.02	4.40	4.81	9.4	4.21	5.92	7.90
First Wisconsin	28¼	7.02	7.26	7.33	7.8	3.67	7.31	3.69
General Motors	40¼	-2.65	3.68	8.64	134.6	4.72	15.82	19.21
Genstar	17%	4.77	3.90	4.88	25.2	3.56	14.10	11.12
Golden Nugget	22¼	-0.34	4.30	5.11	18.9	4.45	9.16	10.51
BF Goodrich	20½	3.37	3.72	4.96	33.4	4.13	13.19	17.91
Goodyear Tire & Rubber	16¼	2.85	3.08	4.16	35.2	4.02	12.27	9.30
GPU	5¼	0.34	0.64	1.16	80.0	4.53	29.25	9.80
Graniteville	9%	2.54	1.41	2.25	59.6	4.39	17.08	11.11
Greyhound	15¼	2.50	3.07	3.33	8.7	4.54	6.29	6.93
Gulf & Western Industries	16%	3.12	3.75A	3.81	1.6	4.43	1.29	6.26
Hammermill Paper	26%	5.04	5.37	5.93	10.5	4.53	6.60	6.78
Hanover Insurance	29	7.30	7.50	7.90	5.3	3.67	6.67	17.48
Walter E Heller International	19%	3.61	3.76	4.19	11.5	4.62	1.23	4.82
Hoover Universal	18%	2.19	3.00	3.89	29.6	4.73	0.00	2.65
Household International	15¼	2.75	2.65	3.45	30.6	4.41	9.33	9.15
Hyster	34¼	6.44	5.82	7.25	24.5	4.72	19.93	12.43
Inland Steel	25¼	1.38	4.33	5.66	30.6	4.44	7.94	20.59
International Harvester	9	-9.82	-4.47	2.10	NM	4.29	NM	117.13
International Multifoods	19%	3.49	3.83	4.27	11.5	4.47	1.58	0.99
International Tel & Tel	28¼	5.50	4.49	6.13	36.5	4.69	26.93	5.62
InterNorth	28½	4.70	5.63	6.55	16.3	4.35	2.76	5.09
Irving Bank	48	9.75	11.08	12.25	10.6	4.34	2.72	3.11
IU International	12¼	2.98	2.62	3.10	18.3	3.95	9.36	13.74
JWT Group	18%	3.40	3.15	4.00	27.0	4.66	10.41	11.69
Kaiser Alum & Chem	16½	5.91	4.66	5.03	8.0	3.28	8.06	19.78
Kemper	30%	6.57	6.18	6.92	12.0	4.39	7.12	9.30
Kerr Glass	12¼	1.72	2.26	2.53	16.6	4.60	12.14	12.56
Kidde	40¼	7.41	8.42	9.45	12.3	4.31	1.23	1.28
Kroger	21½	3.69	4.06	4.61	13.5	4.67	2.69	5.11
Lone Star Industries	25¼	5.25	4.53	5.43	19.8	4.74	12.46	15.42
M Lowenstein	27¼	1.14	5.20	6.02	15.7	4.61	5.09	3.75
LTV	16%	3.95	7.67	7.86	2.5	2.08	14.62	20.89
Manhattan Industries	11%	1.47	2.82	3.28	16.5	3.62	7.42	8.84
Manufacturers Hanover	35½	6.91	7.41	8.02	8.2	4.42	7.54	6.77
Maryland National	21¼	4.47	5.00	5.45	8.97	3.90	2.26	1.05
McDonnell Douglas	27¼	3.15	4.81	5.76	19.8	4.73	7.51	9.67
McQuay-Perfex	12¼	2.43	2.48	2.96	19.5	4.30	1.80	2.53
Mead	23¼	4.72	4.66	5.18	11.1	4.49	5.43	10.52
Mobil	26%	6.63	6.40	6.98	9.0	3.78	4.94	8.73
Moore McCormack Resources	30	5.50	5.82	7.04	20.9	4.26	3.50	8.68
Morse Shoe	19¼	3.55	3.47	4.15	19.6	4.63	11.21	8.76
Murray Ohio Manufacturing	18%	2.73	3.32	3.99	20.1	4.60	3.64	5.37
Nashua	18½	4.60	3.40	4.84	42.3	3.82	13.43	16.57
National Can	18%	5.36	3.88	4.42	14.2	4.27	16.60	8.50
National City	29%	6.62	5.55	6.42	15.7	4.63	5.36	4.72
Natomas	23¼	4.02	4.50	5.57	23.7	4.20	7.27	10.38
NBD Bancorp	23½	6.27	5.73	6.39	11.7	3.67	6.41	6.69
NCNB	14%	2.61	2.87	3.20	11.4	4.42	6.36	8.00
NCR	43¼	9.51	9.02	10.66	18.2	4.05	4.47	7.38
New England Merchants	30%	6.63	7.66	7.98	4.2	3.82	8.18	3.58
Northwest Bancorporation	24¼	4.51	4.72	5.34	13.1	4.64	3.02	6.12
Northwestern National Life Ins	23%	4.53	4.70	5.04	7.2	4.69	9.52	9.70

¹For fiscal years ending June through May of the following year. ²Percentage around the average, in which two-thirds of analysts' estimates fall. The lower the percentage, the greater the agreement among the analysts. A: Actual. NM: Not meaningful.

Source: Institutional Brokers Estimate System; Lynch, Jones & Ryan

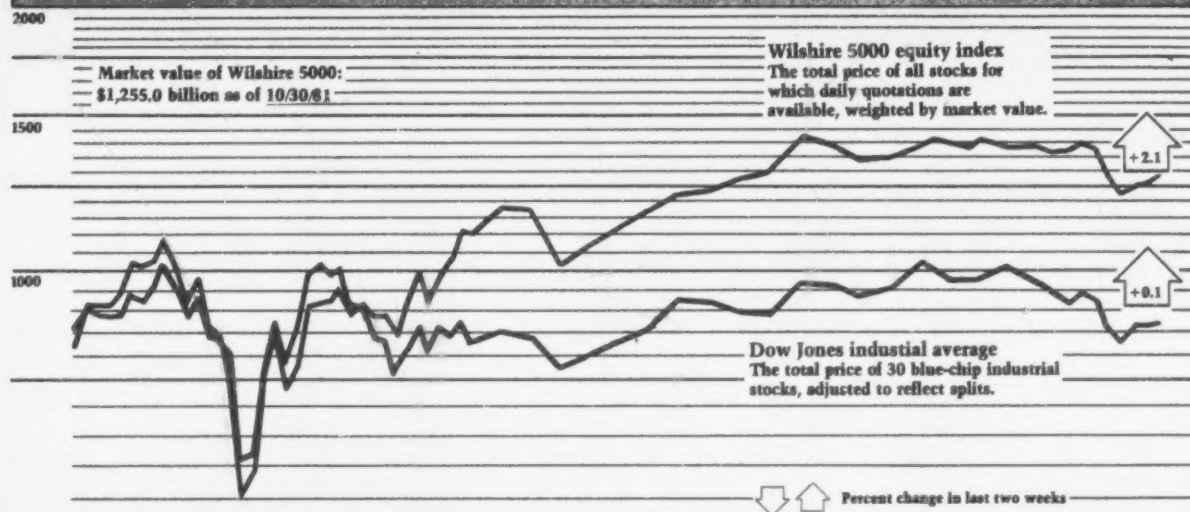
Overlooked stars

Company	Recent price	Earnings per share ¹			% increase of 1982 over 1981	P/E based on 1982 estimates	% variation in earnings estimates ²	
		1980	1981 (est)	1982 (est)			1981	1982
Occidental Petroleum	24%	\$8.31	\$7.06	\$7.34	3.9%	3.32	8.82%	11.90%
Olin Corp	20½	3.08	3.93	4.53	15.2	4.53	3.13	5.54
Outboard Marine	14%	0.28	2.66	3.76	41.7	3.92	4.11	5.38
Overseas Shipholding Group	19	3.06	3.75	4.30	14.8	4.42	7.51	11.74
Ozark Air Lines	9½	-0.04	2.25	2.82	25.2	3.37	11.11	29.19
PACCAR	72¼	9.83	10.61	15.46	45.8	4.67	5.69	7.72
Panhandle Eastern	33¾	5.40	6.13	7.04	14.9	4.74	3.65	6.51
Penn Central	37%	2.72	8.51	10.42	22.5	3.63	27.08	31.87
Pentair	18%	4.17	3.73	4.66	24.9	4.00	3.08	5.19
Philadelphia National	29½	7.00	6.90	7.72	12.0	3.83	9.53	12.97
Phillips-Van Heusen	14%	1.79	2.64	2.99	13.4	4.72	16.41	11.75
Pittsburgh National	25	4.49	4.85	5.36	10.5	4.66	2.26	2.99
PSA	18%	2.28	3.33	5.85	75.9	3.23	44.23	15.39
Pulte Home	12¼	1.89	1.59	2.89	81.1	4.24	22.49	17.48
Republic Airlines	4%	-1.19	-0.51	1.19	NM	3.87	NM	92.73
Republic New York	36%	6.74	6.73	7.75	15.1	4.73	4.54	8.53
Republic Steel	24½	3.15	6.47	6.86	6.0	3.57	9.55	18.46
Reynolds Metals	26%	8.32	5.59	5.70	1.9	4.67	11.14	24.80
Riegel Textile	21	4.40	4.47	4.90	9.6	4.28	15.80	7.33
RLC	10	1.86	1.26	2.37	88.7	4.22	19.53	10.46
Royal Dutch Petroleum	30¼	10.00	7.49	9.39	25.3	3.22	20.12	18.06
Russ Togs	14	2.53	2.96	3.25	9.8	4.31	2.34	4.62
Safeway Stores	25	4.57	4.82	5.56	15.5	4.50	7.26	6.34
SeaCo	19¼	4.62	4.21	5.17	22.7	3.70	6.16	5.59
Shell Trans & Trading	25	6.92	5.27	6.78	28.8	3.69	12.21	25.50
Sheller-Globe	9%	-0.52	2.05	2.50	22.0	3.85	11.95	10.00
Southeast Banking	18½	3.24	3.46	3.89	12.5	4.75	2.90	3.28
Sperry Corp	30%	7.50	5.41	7.26	34.3	4.25	19.31	14.99
Springs Mills	22½	1.20	4.20	5.15	22.6	4.37	4.04	9.46
SPS Technologies	26%	4.56	5.19	6.00	15.5	4.48	2.18	4.28
AE Staley Manufacturing	19%	3.51	4.75A	4.98	4.8	3.86	6.86	24.02
Standard Oil (Ohio)	41%	7.37	8.14	8.83	8.5	4.74	3.28	5.27
Standard Pacific	9%	2.10	1.26	2.36	87.3	3.97	19.72	28.95
Stone Container	17%	2.78	3.00	3.70	23.3	4.70	0.00	11.06
Stop & Shop Cos	21%	3.01	4.51	5.44	20.8	3.93	4.56	12.31
Tenneco	31%	5.94	6.35	7.21	13.5	4.38	2.37	3.13
Tennessee Valley Bancorp	9¼	1.82	1.98	2.30	16.16	4.02	7.70	11.50
Tesoro Petroleum	18%	4.94	3.68	4.67	26.8	4.02	7.30	23.02
Texaco	32¾	8.31	8.79	9.29	5.7	3.53	4.79	7.48
Tiger International	12	2.05	1.63	2.53	55.0	4.74	50.52	45.04
Trans World	17%	-0.05	2.58	4.94	91.2	3.47	24.38	13.36
Transway International	21½	4.23	4.19	4.74	13.0	4.48	6.44	9.06
Trinity Industries	15½	2.95	3.06	3.63	18.6	4.27	5.39	10.33
Union Carbide	48	10.48	10.82	12.22	13.0	3.93	4.53	9.81
Uniroyal	8%	-0.30	1.70	2.26	32.7	3.71	14.88	19.04
USAir	11%	3.59	2.97	3.81	28.4	3.12	15.45	18.54
US Steel	28	5.25	6.37	7.19	12.7	3.90	13.33	18.79
UAL	19%	0.70	1.65	4.37	164.3	4.49	40.42	28.27
USLIFE	22%	4.03	4.32	4.82	11.5	4.70	3.26	5.00
Van Dorn	14½	2.01	2.32	3.07	32.3	4.73	7.14	14.88
Wells Fargo	27	5.32	5.54	6.29	13.5	4.29	6.11	6.49
Westinghouse Electric	25%	4.71	5.11	5.57	9.0	4.60	3.24	6.69
Wetterau	9%	2.13	2.24	2.65	18.3	3.73	12.57	13.21
White Consolidated Inds	27%	3.90	5.17	6.02	16.4	4.53	4.74	4.67
Wickes Companies	11%	0.50	1.74	3.19	83.2	3.68	21.35	17.39
FW Woolworth	19	4.53	3.89	5.12	31.4	3.71	10.67	7.53
Xerox	40%	7.33	7.52	8.54	13.7	4.73	3.73	5.07

¹For fiscal years ending June through May of the following year. ²Percentage around the average, in which two-thirds of analysts' estimates fall. The lower the percentage, the greater the agreement among the analysts. A: Actual. NM: Not meaningful.

Source: Institutional Brokers Estimate System; Lynch, Jones & Ryan

The Forbes/Wilshire 5000 Review



Make way for a fall rally. Wall Street is getting serious about regaining lost ground. There should be considerable testing over the next few months, but barring unexpected bad news the market seems largely to have discounted the current recession. The mood is upbeat, and investors are looking ahead to better times. Good news is also to be had. Interest rates are moving down, if only temporarily, and Mobil's tender offer for Marathon Oil has brought back much of the old takeover excitement. The Wilshire, which hit a low of 982.40 in 1980, is not likely to fall that low again.

Over the last four weeks, the Wilshire gained 2.7%—a winning streak that is no small potatoes. It helped restore almost \$39 billion in market value. The speculative sec-

ondary stocks are helping to pull up the averages. The NASDAQ index gained a hefty 5.9%, but investors are picking and choosing very carefully. Even though the Dow industrials fell 1%, the NYSE index, a much better measure of large industrial stocks, performed about in step with the Wilshire. The fall rally, it seems, is stronger at the ends than in the middle.

If the economy rebounds in the second half of next year, smaller companies have the greatest potential to leverage their growth. Our investor yardsticks show Wall Street's growing affinity for these stocks. Still, investors have not been ignoring bargains among higher-grade industrials. These stocks, too, made impressive gains.

Close-up On The Equity Markets

Performance of five leading indexes

Percent change	Wilshire 5000	Dow Jones Industrial	NYSE Composite	ASE Market Value Index	NASDAQ Composite
In last 4 weeks	2.7	-1.0	2.6	1.4	5.9
In last 52 weeks	-2.0	-7.9	-3.9	-7.1	1.3

Stock performance based on five key investor yardsticks

Percent change	Volatility*		P/E multiple		Dividend yield		Growth profile†		Share price	
	high	low	over 25	under 5	over 7.5%	none	high	low	over \$40	under \$4
In last 4 weeks	7.3	3.3	4.0	5.0	2.5	5.4	7.2	3.3	3.7	4.0
In last 52 weeks	5.5	18.1	-4.4	5.1	9.3	4.7	3.3	6.2	-2.0	8.2

* A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations; low-volatility issues are more stable.

† A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

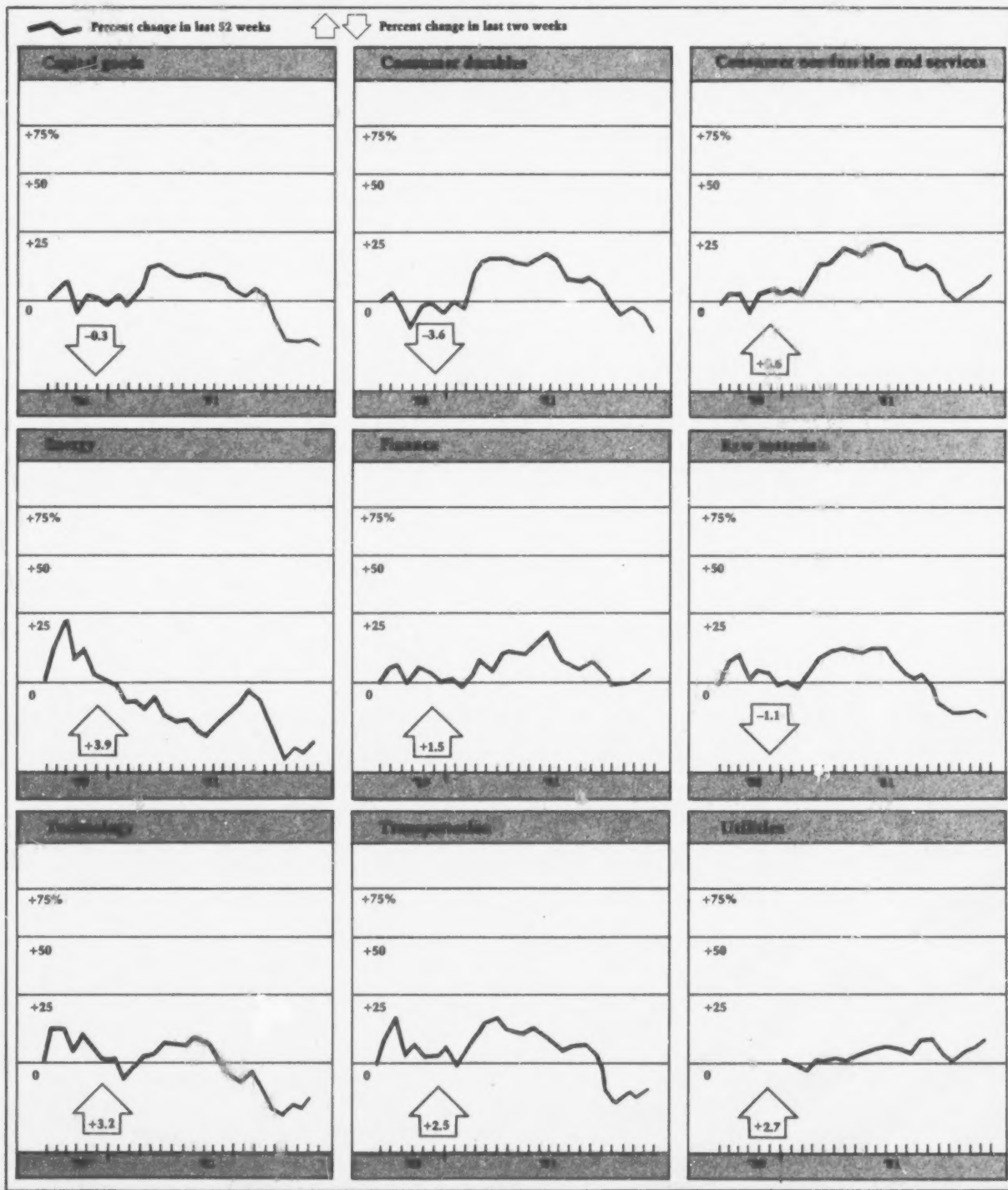
Note: All data for periods ending 10/30/81. Prepared by Wilshire Associates, Santa Monica, Calif.

Where The Action Is

Another high-stakes poker game? Having lost the battle for Conoco to Du Pont, Mobil is now making a bid for Marathon Oil. Mobil's tender offer helped to kick off a new round of acquisition fever in the energy sector and pushed energy securities up 3.9% over the last two weeks.

Technology stocks, meanwhile, continued on a comeback trail with a 3.2% gain. Black boxes are back in style on Wall Street. Utilities continued their recent strength

with a 2.7% advance, and consumer nondurables were up 2.6%. These two sectors have been behaving well over the past several months. Also, they show the best relative performance of all groups over the last 52 weeks. Minor setbacks were posted by raw materials and capital goods down 1.1% and 0.3% respectively. And consumer durables, still reeling from the latest collapse in auto and housing sales, took its lumps again. This sector fell 3.6%.



Note: All data for periods ending 10/30/81. Prepared by Wilshire Associates, Santa Monica, Calif.